CA2ALID
AA2
JAN 1973

OF INDUSTRY & COMMERCE, PLANNING & INTELLIGENCE Alberta Provincial Library

ALBERTA LEGISLATURE LIBRARY
3 3398 00485 2314

# Alberta ECONOMIC OUTLOOK

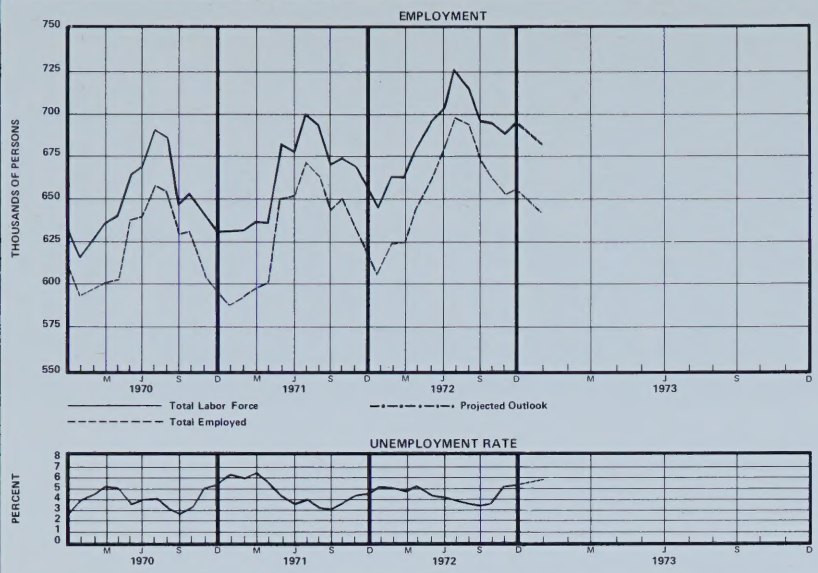
## JANUARY 1973

### ALBERTA — NATIONAL AFFAIRS

The Canadian economy was relatively buoyant in 1972. Expanding export markets and continued strength in consumer and business spending indicate a further expansion in 1973, at least equaling and likely exceeding that of 1972. Unfortunately, in 1972, inflation and unemployment continued to increase at unacceptable rates; throughout most of the year the Canadian dollar stood above par with the U.S. dollar; and considerable business uncertainty has prevailed since the federal election in October. Although these problems will remain throughout the new year, their severity should be dampened somewhat due to continued economic expansion, coupled with planned remedial measures. Some indication of the economic performance forecast for Canada in 1973, and that expected for 1972, can be seen from the following:

- **Real growth in G.N.P.** should reach at least 6 to 6.5 per cent in 1973, up from a 5.5 per cent increase expected for 1972.
- The projected increased production in 1973, combined with moderate increases in employment, will result in a substantial increase in **productivity** in 1973. The higher rates of increase in output per worker should partially offset the higher **wage rates** obtained in 1972. New wage settlements in the first three quarters of 1972 were somewhat higher than those experienced in 1971.
- Declines in both price increases and unemployment are forecast for 1973, to perhaps 3.5 to 4 and 6 per cent, respectively, compared to the rates of 4.5 and 6.5 per cent expected for 1972. The issue of **price and wage controls** will continue to be debated in 1973, although Finance Minister Turner claims such a policy cannot be justified in Canada at present.
- The Bank of Canada is expected to continue its neutral **monetary policy**, increasing the **money supply** by 11 to 15 per cent, or at about the same rate as last year. However, the increase in **demand for short term funds** is expected to be greater than the increase in the money supply, which could exert some upward pressure on **short-term interest rates**. **Long-term interest rates** should, however, remain stable with **mortgage rates** also not expected to increase in 1973.
- Prospects in 1973 are for growth of at least 10 per cent in consumer spending. **Retail sales** for the first nine months of 1972 totalled over $24 billion, an increase of 12 per cent over the same period in 1971.
- For 1973, the momentum of the Canadian economy and the anticipated growth in consumer expenditure should stimulate increases in manufacturing output and revenues comparable to 1972. **The value of manufacturing shipments** in 1972 was expected to increase by at least 9 per cent.
- **Construction** should total at least $17.5 billion in 1973, up by about 7 per cent from the expected value of $16.4 billion in 1972. The emphasis in 1973 is expected to shift to increased business construction in both commercial and industrial categories. Housing starts will not likely reach the record number of nearly 250,000 set in 1972.
- The growth rate of total investment in the **Canadian Mining Industry** may experience a slight slowdown in 1973, although positive advances in the production of most minerals are forecast due to normal increases in consumption and slight price increases anticipated for most major minerals.
- The outlook for the **principal grain crops** in 1973 is favourable, with high prices expected for each. **Beef production** will continue to increase, with prices anticipated to rise slightly above the 1972 average. **Lower hog marketings**, resulting in higher prices, can also be expected at least during the first half of the new year.
- The growing prosperity of Canada's major trading partners should help to improve **Canada's international trading position** in 1973. Prospects are for **export sales** expanding at rates greater than imports, thus, preventing any further deterioration of the trade surplus. A reduced deficit in Canada's international balance of payments, coupled with

— continued on page 4

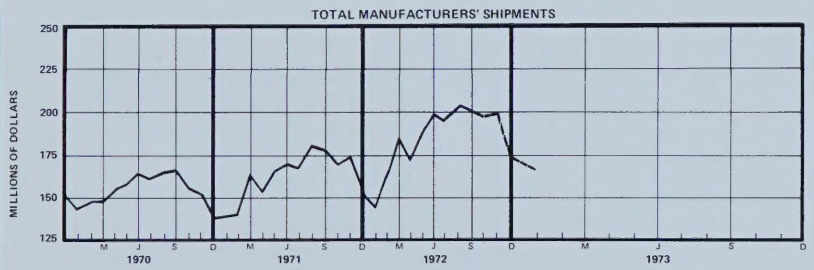



## EMPLOYMENT

The total number of unemployed persons in Alberta in December was 37,000, resulting in an unemployment rate of 5.3 per cent. Both the labour force and the total employed increased to 694,000 and 656,000, respectively. December's participation rate rose to 59.7, the highest since December, 1968. For January, the labour force should approach 682,000, total employed should decline to 643,000, giving total unemployed of close to 39,000, or an unemployment rate of 5.7 per cent. The total labour force and employed may be underestimated due to the large number of employment programs currently being initiated. Prospects for February are for slight gains in the labour force and total employed, with a decline in the numbers unemployed.

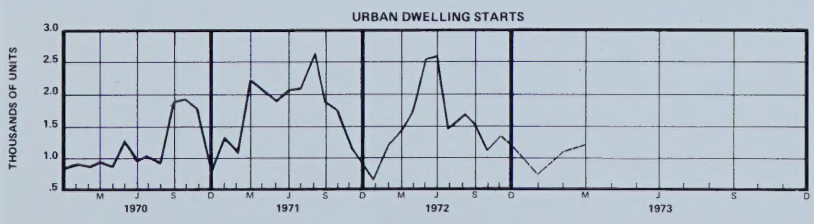
## RETAIL TRADE

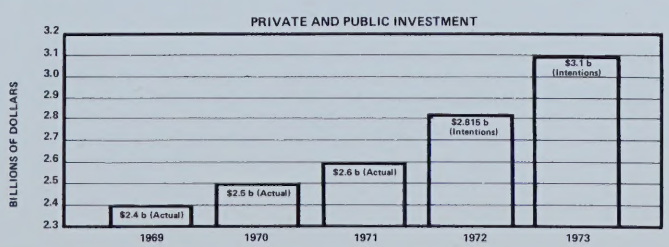
To the end of October, retail trade in Alberta totalled $2,217 million, an increase of 14 per cent over the same period in 1971. October's total of $235 million was 6 per cent above October, 1971. Retail trade in November and December was expected to total $245 million and $301 million, respectively. Prospects for January are for total retail trade of $220 million. February's total should be below that forecast for January, but still above February, 1972.




## MANUFACTURERS' SHIPMENTS

Preliminary estimates for total shipments to the end of October, 1972, totalled $1,860 million, an increase of 15 per cent over the comparable period in 1971. November and December totals are expected to be close to $198 million and $173 million, respectively, followed by $167 million in January, 1973, reflecting the usual historical decline in that month. February's total is expected to reflect the usual seasonal gains in activity.

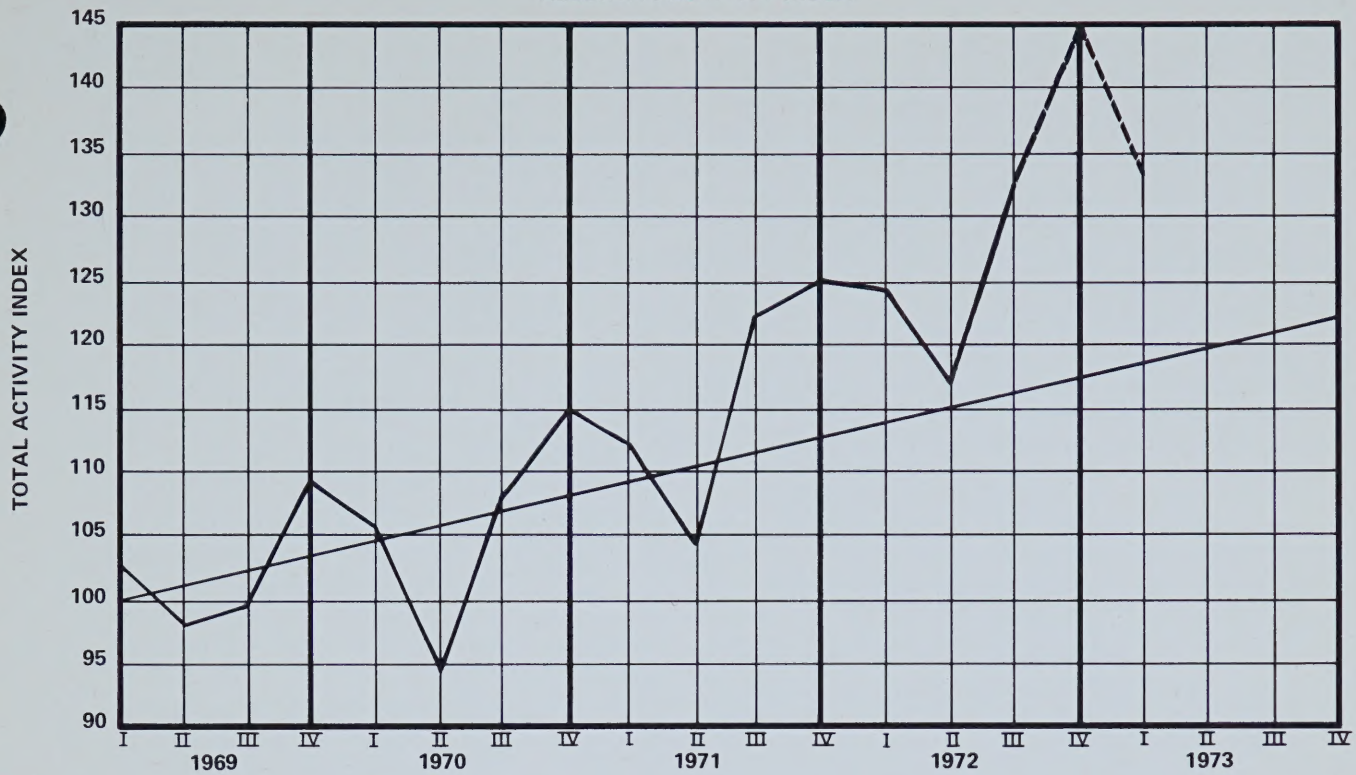



## HOUSING

Urban dwelling starts in November totalled 1,360, a decline of 20 per cent from November, 1971. To the end of the first 11 months of 1972, total starts totalled 17,438 nearly 15 per cent below starts in the same period in 1971. Substantial gains were seen in single dwelling unit starts with a corresponding decline in multiple unit starts. It is not expected that this pattern will change until after mid-1973. A revised forecast for December indicates about 1,200 starts, giving a yearly total of close to 18,640, a decline of 14 per cent from 1971. Prospects for the first quarter of 1973 indicate total starts of close to 3,000.

## ALBERTA'S ACTIVITY INDEX




## PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

| INDICATOR | Percentage Change in Volume Activity<br>Total Year<br>1971 - 1970 | <br>Year to Date<br>1972 - 1971 |
|---|---|---|
| **MANUFACTURING** | | |
| Slaughtered Meat Production | +13.6 | + 3.7 (Jan. – Oct.) |
| Slaughtered Meat Exported | +12.6 | + 6.0 (Jan. – Oct.) |
| Refinery Production | +10.7 | +28.2 (Jan. – Sept.) |
| Cement Production | + 4.5 | + 2.9 (Jan. – Oct.) |
| **MINING** | | |
| Oil Production | + 9.4 | +20.5 (Jan. – Oct.) |
| Gas Production | +10.1 | +15.9 (Jan. – Oct.) |
| Footage Drilled | + 1.8 | +16.2 (Jan. – Oct.) |
| Number of Wells Drilled | + 9.6 | +10.5 (Jan. – Oct.) |
| Coal Production | +31.7 | +16.9 (Jan. – Oct.) |
| **CONSTRUCTION** | | |
| Urban Dwelling Starts | +54.0 | - 14.4 (Jan. – Nov.) |
| Rigid Insulation Board Shipments to Alberta | +15.6 | +14.0 (Jan. – Oct.) |
| Metal Shapes Shipments (Est'd) | - 4.0 | + 9.0 (Jan. – Oct.) |
| **AGRICULTURE** | | |
| Grain Shipments | + 8.8 | - 4.2 (Jan. – Nov.) |
| Livestock Marketed | +15.1 | - 1.7 (Jan. – Oct.) |
| Farm Cash Receipts | + 9.8 | +15.2 (Jan. – Oct.) |
| **FORESTRY** | | |
| Lumber Production | + 6.1 | +11.1 (Jan. – Oct.) |
| Lumber Sales | +34.7 | - 4.2 (Jan. – Oct.) |
| Lumber Exports | +26.5 | +24.5 (Jan. – Oct.) |
| Pulpwood Production | - 34.9 | +59.1 (Jan. – Oct.) |

| UNEMPLOYMENT RATE (Unadjusted) | DECEMBER 1972 | NOVEMBER 1972 | DECEMBER 1971 | NOVEMBER 1971 |
|---|---|---|---|---|
| Canada | 6.5 | 5.9 | 6.1 | 5.8 |
| Alberta | 5.3 | 5.1 | 4.5 | 4.2 |

increasing short term interest rates, should allow the **exchange rate** to fluctuate at par with the U.S. dollar throughout 1973. This past year, Canada's merchandise trade surplus declined substantially to half of its more than $2 billion value in 1971.

The Federal Government should regain some support from the business community, as a result of fiscal policies and programs announced in the Speech from the Throne, January 4, 1973. This may overcome some of the criticism that the Government took a too complicated and often unrealistic approach to Canada's major economic and social problems through legislation which in some cases proved ineffective due to a failure of businessmen to fully comprehend the intent of the federal policy.

The approach now appears to be more fundamental, directed towards expanding job opportunities, promoting national and regional economic growth and prosperity and reasonable price stability. It is difficult to disagree with these objectives. The removal of some uncertainty as to the direction chosen by the Government, combined with an economy already expected to improve, should offer favourable conditions for the achievement of these objectives, or at least improvements in the present situation. Nevertheless, considerable uncertainty remains regarding the effectiveness of a government whose survival hinges on the support of the Opposition.

## ALBERTA – PROVINCIAL AFFAIRS

**Alberta's Oil and Gas Industry** in 1972, has had one of its most prosperous years in history. The year was characterized by new discoveries, increased production, expanded domestic and international markets, and higher prices. Oil and natural gas production in Alberta were 15 and 13 per cent, respectively, above 1971 levels. With continued increases in demand, both domestically and internationally, together with higher prices expected in 1973, the industry outlook is far more optimistic than one year ago. Some difficulties to face will be finding sufficient capital to finance further exploration activity and needed additional pipeline and productive capacity; increased taxes and provincial royalty payments. However, the prospects for increasing crude oil and natural gas prices in 1973, will no doubt lessen the impact of these factors on the Industry.

## ALBERTA – INTERNATIONAL AFFAIRS

**Britain** officially joined the **European Common Market**, January 1, 1973. It would appear Canadian exporters will face diminished market opportunities and more intensive international competition in that country. Of Canada's exports to Britain, 50 per cent will still enter duty free, but our overall competitive position will certainly suffer. The damage, however, will be limited since the common external tariff of the E.E.C. is to be imposed on a step-by-step basis over the next 5 years. Other factors, such as future trade negotiations, where some concessions could be gained, and Canada's good reputation in British markets, could tend to minimize short-run losses. In the long-run, as a member of the E.E.C. Britain's economic growth should accelerate and expanding market opportunities in both Britain and the other E.E.C. countries, should benefit Canadian export trade.

The most recently announced **Japanese import and export policies** are intended to increase imports while also diminishing exports, reduce pressure to revalue the yen and further emphasize Japan's intentions to liberalize its import policy. The policies are expected to increase imports by an estimated $300 million, and combined with reductions in exports, decrease Japan's trade surplus by $1,000 million during the 1973 fiscal year.

Canadian exporters should benefit from tariff reductions of as much as 20 per cent on some products. Major tariff reductions have been made on such Canadian exported products as sweaters, men's clothing, electric wire, semi-conductors, automobile parts, home electric appliances, communications equipment, and foodstuffs. However, other Canadian exported goods, mainly agricultural and mineral products, currently being shipped to Japan are not included under the scheme. Examples include animal and vegetable products and their fats and oils, margarine, sausages, prepared meat, coal, copper, lead, aluminum and petroleum by-products.

The Japanese have proposed a three point plan to diminish exports of those products that increased by 1 per cent more than the rate of increase in total exports during the first six months of 1972, whose rate of increase exceeded that of the first six months of 1971, and whose value in the 12 months beginning August 1, 1971, exceeded $100 million. At present, the government has asked industry to voluntarily follow this plan, however, they are also prepared to make it mandatory if necessary.

A recent development has added to the already uneasy situation regarding future Canada-U.S. trade relations. The U.S. Government will levy a countervailing duty of 6.6 per cent on tires manufactured by Michelin Tires Manufacturing Co. of Canada Ltd. The duty was requested by the U.S. Rubber Manufacturers' Association to offset the provincial and federal subsidies, reduced local property taxes and reduced interest rate on a $50 million loan granted to Michelin by the Nova Scotia Government. This case represents the first time such action has been taken against a foreign corporation that has received assistance because it located in a depressed economic region.

## BUSINESS OUTLOOK

The growing strength of the Canadian economy should provide greater than average returns from most financial investments in the new year. Richardson Securities Ltd., expects the average rate of return from the stock market to lie above 8 per cent for at least the next several months. Although there will be the usual cyclical variations, the overall market trend should move strongly upward.

Planning & Intelligence Branch
Department of Industry & Commerce
1629 Centennial Building
Edmonton, Alberta
T5J 0H4

Printed by the QUEEN'S PRINTER for the Province of Alberta, Edmonton

Digitized by the Internet Archive
in 2025 with funding from
Legislative Assembly of Alberta - Alberta Legislature Library